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SUBJECT: COLOMBIA BANKING ON TOURISM BOOM -- BUT IS IT
READY FOR PRIME TIME?

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[1](#)B. (B) BOGOTA 540

[1](#)1. (SBU) SUMMARY: A record-breaking 1.3 million foreign visitors traveled to Colombia in 2007. Improved security, better facilities, and a booming cruise business contributed to the growth. With a new master plan for tourism, more hotels under construction, and increased flights to the U.S. and Europe, Colombian officials believe the number will continue to grow, perhaps reaching four million by 2010. Still, Colombian needs more tourist infrastructure, security problems could hurt the industry, and the number of overland visits might dry up if relations with Venezuela continue to deteriorate. END SUMMARY

Record-Breaking Number of Tourists

[1](#)2. (SBU) Travelers arriving by air and sea hit a record 1.3 million in 2007. In addition, 825,000 overland visitors entered Colombia in 2007, raising the total to over 2.1 million. Oscar Rueda, Vice-Minister of Tourism, estimated that the industry generated close to USD 3 billion in 2007, or just over two percent of GDP, and directly employed 400,000 Colombians. While tourism's contribution to GDP in Colombia grew, the numbers remain low compared to other Latin American destinations such as the Dominican Republic, Mexico and Argentina where tourism accounted for 6.3, 4.9 and 2.8 percent of GDP respectively in 2007. Rueda noted that tourism to much of Latin America has been flattening in recent years, opening more space for the Colombian market. He predicted that the total number of visitors to Colombia will grow to four million by 2010, with corresponding increases in revenue and jobs.

"Real" Tourist Potential Even Greater

[1](#)3. (SBU) Jean Claude Bessudo, the president of Colombia's largest travel agency Aviatur, noted that up to now only a fraction of 2007's 1.3 million foreign visitors were "real" tourists, i.e. those who come solely for pleasure. Bessudo explained that the GOC does not distinguish between those coming to Colombia for family reasons, business or pleasure. Bessudo estimated the number of "real" tourists in 2007 at 100,000, while Rueda estimated closer to 400,000. But both agreed the percentage growth in such tourists since 2003 far exceeded the growth in overall visitors. More importantly, both said that while the market for business tourists would continue to expand with increasing economic growth and security, the pleasure tourist market offered Colombia the greatest upside potential for substantial increases in the overall number of visitors.

Security and GOC Support Critical

14. (SBU) Rueda called improved security the key to the 20 percent annual increase in tourism since 2003. He noted that the number of homicides and kidnappings has declined dramatically since 2002, creating a more positive international image that has helped alleviate tourist fears. Rueda added that the GOC also offered incentives to the industry through legal and regulatory reforms. In 2006 the GOC enacted a comprehensive tourism law with mechanisms to regulate and rate hotels, and established a fund to promote Colombia as a tourist destination. Jaime Alberto Cabal, a former Minister of Economic Development and the head of the hotel association COTELCO, expects the fund to grow from USD 1 million in 2007 to USD 15 million in 2008.

15. (SBU) Cabal described Law 788 of 2002 as critical since it created "the world's most attractive hotel operating environment." Under the law the national government waives all hotel income taxes for 30 years for new hotels and a percentage for remodeled hotels (e.g. if a hotel owner spends USD one million renovating a hotel worth USD two million then the GOC waives one-half of the tax). Cabal noted that law 788 sparked an explosion in hotel construction -- from USD 4 million in annual investment prior to the law to over USD 150 million in 2007. Occupancy rates also increased from 45 percent in 2002 to 58 percent in 2007. Cabal projects construction of 25,000 new rooms between 2007-2010, with each new 100 hotel rooms generating 76 jobs. Planned hotel investments include a USD 33 million Royal-Radisson in Cartagena, a USD 27 million Hilton Hotel in Bogota, two new Marriotts in Bogota, and a new Holiday Inn in Medellin. Colombia is also focused on increasing conference tourism, recently inaugurating a new convention center in Cali, with

others planned for Santa Marta, Barranquilla, Armenia, Popayan, Villa de Leyva and San Andres.

Easier Access By Air and Sea

16. (SBU) From 2003-2007 international and domestic air passengers increased an average of 15 percent and 5 percent per year, respectively. Bessudo said these numbers should accelerate with a new U.S.- GOC aviation agreement that increases flights by 50 percent (ref A) and other agreements to increase flights to Spain and Brussels. Bessudo added that the addition of low cost carriers, such as Spirit and Jet Blue from the U.S. and Colombia's EasyFly, should reduce costs for both international and domestic flights.

17. (SBU) Bessudo noted that although cruise ship passengers represented less than 10 percent of tourists in 2007, they nonetheless climbed significantly from 50,000 in 2006 to over 125,000 in 2007. Bessudo, whose agency handles 98 percent of all cruise ship passengers arriving in Cartagena (the destination of 75 percent of incoming cruise ships), expects the number of port calls to increase from 75 in 2007 to 125 in 2008. He said that while ships land for only 3-4 hours, each visit contributes an average of USD 200,000 to the local economy. In addition, Bessudo estimates that ten percent of all ship passengers who visit Cartagena return as tourists. He highlighted last year's return of Royal Caribbean stops in Cartagena after a six-year absence, and the company's recent decision to initiate cruises from Cartagena, as factors further contributing to substantial cruise tourism growth.

Developing a Master Plan

18. (SBU) Bessudo complained that the lack of a master plan has hurt the tourist industry. He called the two year-old "Colombian is Passion" country brand "ambiguous," and felt the new slogan for tourism, "The biggest risk is that you'll never want to leave," had negative connotations given Colombia's kidnapping history. Ricardo Galindo, vice-president for event tourism at Pro-Export Colombia, said

the GOC had recently started developing a tourism master plan. Under the plan, Colombia will move from "destination-driven" to "product-driven" tourism focusing on eco-tourism (the Amazon, two coastlines, the coffee country), cultural tourism (colonial cities, museums, fine restaurants), and adventure tourism (scuba diving, sailing, mountain sports). Pro-Export is working with the hotel, airline and tour industry to put together product packages, and Galindo hopes that within a year a tourist who wants to scuba dive will be able to buy a single package with lodging, in-country transportation, and diving. While recognizing that Colombia cannot yet compete with Costa Rica for eco-tourism or Mexico for cultural tourism, Galindo hopes Colombia can become a second destination for experienced travelers interested in something new, and offer the best overall combination of multiple products.

But Challenges Still Exist

¶10. (SBU) Cabal recognizes that for Colombia to become a prime destination it desperately needs to improve its tourist infrastructure. The GOC's plan to build USD 6.5 billion worth of better roads, and close to USD one billion in airport improvements (ref B) should help. Still, Cabal worries that the use of private concessions to fund most projects could prove problematic given their checkered history in Colombia. He also notes that additional flights will generate increased pressure on Bogota's overtaxed El Dorado international airport. While the airport started a USD 650 million upgrade in September 2007, Cabal said tourism will suffer if the upgrade fails to deliver a world-class airport, or if construction problems make the airport worse. The quality of the tourist product is also of concern; while the GOC claims that one-half of the projected new 25,000 hotel rooms will be in four and five star hotels, Cabal admitted that this is an internal Colombian rating and that rooms and services regularly fall short of international standards.

¶11. (SBU) Cabal, Rueda, Galindo and Bessudo agreed that if security worsens all other efforts to strengthen tourism would likely be for naught and terrorism directed against tourists could crush the industry. While foreign government travel warnings, particularly that of the U.S., hurt tourism, they acknowledged that foreign governments were not likely to remove warnings in the near future, particularly after events

such as such as January's kidnapping of six tourists from a beach on the Pacific coast. Bessudo suggested creating "Tourist Safe Zones" that had a GOC-guaranteed level of security that foreign governments might agree to specifically recognize in their travel warnings.

And Venezuelan Visitors Could Dry Up

¶12. (SBU) Rueda said that the 825,000 overland visitors who stayed at least three nights in Colombia in 2007 were not technically considered "tourists." Still, he said they play a significant role in the economies of border departments as many, particularly the 60 percent from Venezuela, come to Colombia to buy goods not available in their countries. Rueda noted that the number dropped from 875,000 in 2006 to 825,000 in 2007, and expressed concern that Venezuela might restrict overland travel if bilateral relations continue to deteriorate.

COMMENT: Not Yet Ready for Prime Time

¶13. (SBU) With Caribbean and Pacific coastlines, an Amazon port, colonial towns and biodiversity second to none, Colombia offers a potential tourist package that could be the envy of the region. President Uribe recognizes this, and has made tourism development a focal point of the GOC economic development plan. But years of industry neglect have taken their toll on infrastructure, hotel space, and a service

culture not up to international standards. Colombia is determined to have the same tourist cache as Costa Rica, Mexico and the DR -- and it can get there over time -- but only if progress on security remains unabated. Despite the security gains familiar to insiders, there is little margin of error for a country whose international image is still dominated by images of drugs and violence.

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